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POVERTY POINT REGIONAL ECONOMIC  
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS  
DECEMBER 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/28/10

POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION

DECEMBER 31, 2009

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# Cochran, Clark & Robinson

A Corporation of Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Poverty Point Regional Economic Development Corporation  
809 Julia Street; Suite A  
Rayville, LA 71269

We have audited the accompanying statement of financial position of Poverty Point Regional Economic Development Corporation (a nonprofit corporation) as of December 31, 2009, and the related statements of activities and cash flows for the year ending December 31, 2009. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Poverty Point Regional Economic Development Corporation as of December 31, 2009, and the changes in net assets and its cash flows for the year ending December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2010 on our consideration of Poverty Point Regional Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Poverty Point Regional Economic Development Corporation taken as a whole. The accompanying schedule of Grant Funds is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cochran, Clark & Robinson

*Cochran Clark & Robinson*

Rayville, LA  
June 28, 2010

POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2009

## ASSETS

CURRENT ASSETS		
Cash in Bank	71,444	
TOTAL CURRENT ASSETS		71,444
PROPERTY, PLANT AND EQUIPMENT		
Land	538,756	
Golf Course	6,985,553	
Buildings	2,609,615	
Roads, Bridges & Parking	1,687,674	
Utilities	257,992	
Property Improvements	23,414	
Equipment	461,597	
Kitchen Equipment	128,959	
Furniture & Equipment	35,714	
Construction In Progress	129,499	
Accumulated Depreciation	<u>(1,330,766)</u>	
NET PROPERTY, PLANT AND EQUIPMENT		11,528,007
OTHER ASSETS		
Prepaid Expense	7,552	
Organization Costs	5,346	
Trademark	10,355	
Accumulated Amortization	<u>(12,595)</u>	
TOTAL OTHER ASSETS		<u>10,658</u>
TOTAL ASSETS		<u>11,610,109</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	4,132	
Payroll Taxes Payable	<u>623</u>	
TOTAL LIABILITIES		4,755
NET ASSETS		
Unrestricted Net Assets	74,241	
Permanently Restricted Net Assets	<u>11,531,113</u>	
TOTAL NET ASSETS		<u>11,605,354</u>
TOTAL LIABILITIES AND NET ASSETS		<u>11,610,109</u>

See Auditors' Report. The accompanying notes are an integral part of these financial statements.

POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING DECEMBER 31, 2009

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE, GAINS AND OTHER SUPPORT				
State Revenue		110,108		110,108
Grant Revenue		32,000		32,000
Interest Income	90			90
Net Assets Released from Restriction	438,600	(142,108)	(296,492)	0
TOTAL REVENUE, GAINS AND OTHER SUPPORT	438,690	0	(296,492)	142,198
EXPENSES				
PROGRAM SERVICES				
Amortization	2,071			2,071
Depreciation	423,919			423,919
Dues	100			100
Consultant Fees	174			174
Repairs and Maintenance	748			748
Insurance	8,422			8,422
Legal and Professional	15,690			15,690
Meals and Travel	379			379
Office Expense	96			96
Salaries and Taxes	7,950			7,950
TOTAL PROGRAM SERVICES	459,549	0	0	459,549
SUPPORTING SERVICES				
Depreciation	12			12
Dues	5			5
Contractors	1,090			1,090
Insurance	5,293			5,293
Legal and Professional	900			900
Meals and Travel	157			157
Salaries and Taxes	3,407			3,407
TOTAL SUPPORTING SERVICES	10,864	0	0	10,864
TOTAL EXPENSES	470,413			470,413
CHANGE IN NET ASSETS	(31,723)	0	(296,492)	(328,215)
NET ASSETS BEGINNING OF YEAR	105,964	0	11,827,605	11,933,569
NET ASSETS END OF YEAR	74,241	0	11,531,113	11,605,354

See Auditors' Report. The accompanying notes are an integral part of these financial statements.

POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009

RECONCILIATION OF NET INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES

Change in Net Assets		(328,215)
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
Amortization	2,071	
Depreciation	423,931	
Changes in Assets and Liabilities:		
(Increase) Decrease in Prepaids	(1,990)	
Increase (Decrease) in Accounts Payable	4,132	
Increase (Decrease) in Taxes Payable	13	
Total Adjustments		428,157
NET CASH PROVIDED BY OPERATING ACTIVITIES		99,942
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Buildings	(129,499)	
NET CASH USED IN INVESTING ACTIVITIES		(129,499)
Net Increase in Cash and Cash Equivalents		(29,557)
Cash and Cash Equivalents at Beginning of Year		101,001
Cash and Cash Equivalents at End of Year		71,444

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Payments for Interest	<u>0</u>
Cash Payments for Taxes	<u>0</u>

See Auditors' Report. The accompanying notes are an integral part of these financial statements.

POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporation's Activities. Poverty Point Regional Economic Development Corporation (the corporation) was incorporated on March 25, 2002, for the purpose of providing and encouraging economic development in East Carroll, Madison, Richland, and West Carroll Parishes, in the State of Louisiana.

The corporation, which is designated as a non-profit economic development corporation, was created under the authority of Louisiana Revised Statute 33:9021. This statute authorizes the creation and organization of non-profit economic development corporations, when approved by the governing authority of a local governmental subdivision. Poverty Point Reservoir District authorized the formation of Poverty Point Regional Economic Development Corporation. Once created, the Corporation is independent of the governmental subdivision that authorized its formation.

Poverty Point Regional Economic Development's goal is to alleviate the conditions of economic distress present in the above-mentioned parishes by providing jobs and economic stimulus. The Corporation's plan of action is to act as a catalyst for the construction and development of recreational and related service businesses and facilities, in order to encourage and promote economic development. The initial development project consisted of a golf course and related facilities, including a clubhouse, restaurant, equipment maintenance building, and a golf practice and teaching area (See Note 3 & 12). There are currently plans to build a stay-and-play resort area adjacent to the golf course area (See Note 15). The projects shall be for public access and will encourage other private economic development.

Funding for this project is provided by the State of Louisiana through a cooperative endeavor agreement with the Louisiana Department of Transportation and Development (DOTD). The DOTD administers funds appropriated by the Louisiana legislature for capital outlay projects.

Basis of Accounting. The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles generally accepted in the United States of America, applicable for not-for-profit organizations. The statements reflect all significant receivables, payables, and other liabilities.

State Capital Outlay Revenue is considered to be earned to the extent that the liability for the expenditure has been incurred. The expenses are recognized when incurred for the capital outlay project.

See Auditors' Report.



NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Contributions are recorded as revenue upon receipt of cash, property, or unconditional pledges. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Restricted Resources. All funds received from the State of Louisiana are restricted for use in achieving the corporation's stated purpose of improving economic development in the specified area.

Cash. Cash consists of cash on hand, cash in bank and certificates of deposits with maturity dates of less than three months.

Accounts Receivable. Accounts Receivable are reimbursements from the DOTD for pre-approved costs incurred in the project. Because receivables are not recorded until approved, there is no allowance for doubtful accounts.

Property, Plant and Equipment. Land costs are presented at cost or approximate value on the date of the donation, including legal, professional, and recording costs allocated to property acquisitions. The golf course, infrastructure, buildings, and improvements are stated at cost less accumulated depreciation.

Furniture and equipment are carried at cost or if donated, at the approximate fair market value at the time of donation. The threshold amount for capitalization is \$100 for furniture or equipment.

Depreciation is calculated using the straight-line method with estimated useful lives ranging from five to forty years.

Revenue. The Corporation receives substantially all of its support from the DOTD. State contract support is recognized to the extent of approved reimbursable expenses.

Organizational Costs and Trademark. Amortization of organizational costs and trademark is recorded using the straight-line method over a 60-month period.

Income Taxes. The Corporation is exempt from federal income taxes under section 501(c) (3) of the Internal Revenue Code and did not conduct any unrelated business activities. Therefore, there is no provision for federal income taxes in the accompanying financial statements.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See Auditors' Report.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Planned Maintenance. Planned maintenance costs are recognized using the direct expense method and will be expensed as incurred.

Subsequent Events. Management has evaluated subsequent events through June 28, 2010, the date the financial statements were available to be issued.

NOTE 2 - CASH

The Corporation maintains a general fund and special projects fund checking accounts at BancorpSouth. On December 31, 2009, all funds were insured by the FDIC.

NOTE 3 - PROPERTY, PLANT & EQUIPMENT

The book value of property, plant, and equipment at December 31, 2009, is as follows:

<u>CLASS</u>	<u>ESTIMATED LIFE</u>	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>BOOK VALUE</u>
Land	-	538,756	-	538,756
Construction In Progress		129,499	-	129,499
Golf Course	20-30 yrs.	6,985,553	804,278	6,181,275
Roads, Bridges, & Parking	40 yrs.	1,687,674	140,208	1,547,466
Property Improvements	10-40 yrs.	23,414	3,125	20,289
Buildings	40 yrs.	2,609,615	145,870	2,463,745
Utilities	25-30 yrs.	257,992	31,071	226,921
Equipment	10 yrs.	461,597	161,375	300,222
Kitchen Equipment	12 yrs.	128,959	28,411	100,548
Office Furniture & Equipment	5-7 yrs.	35,714	16,428	19,286
TOTALS		<u>12,858,773</u>	<u>1,330,766</u>	<u>11,528,007</u>

During 2009, preliminary plans and expenditures were made for the proposed Stay and Play lodge, which are included in Construction In Progress. The completed components of the project will be capitalized based on generally accepted accounting principles. The Stay and Play project and various capitalized assets were purchased with DOTD funds and are included as components in "Permanently Restricted Net Assets".

Depreciation expense for the year ended December 31, 2009, calculated using the straight-line method is \$423,931.

See Auditors' Report.

## NOTE 4 - AMORTIZABLE ASSETS

Organizational costs of \$5,346 and trademark costs of \$10,355 are amortized over a 60-month period using the straight-line method. The current year amortization expense is \$2,071 for trademark costs. Organizational costs were fully amortized in prior years. The book value of the Corporation's intangible assets at December 31, 2009, is as follows:

<u>INTANGIBLE</u>	<u>AMORTIZATION PERIOD</u>	<u>COSTS</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>BOOK VALUE</u>
Organizational	60 months	5,346	5,346	-
Trademark	60 months	<u>10,355</u>	<u>7,249</u>	<u>3,106</u>
		<u>15,701</u>	<u>12,595</u>	<u>3,106</u>

The following is a schedule of estimated amortization expense for the next two years.

<u>Year</u>	<u>Trademark Cost</u>
2010	<u>2,071</u>
2011	<u>1,035</u>
	<u>3,106</u>

## NOTE 5 - INCOME TAXES

The Corporation has received tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. Because their application and approval occurred within 27 months of the date of the corporation's organization, their tax-exempt status is retroactive to the date of organization.

## NOTE 6 - NET ASSETS

Funds transferred from the Poverty Point Reservoir District as grant funds in 2002 for initial operating capital, are unrestricted. Any residual assets from this funding source are classified as "Unrestricted Net Assets".

All State Revenue received by the Corporation is restricted by DOTD for use in the development, design, and construction of recreational improvements in the designated economically depressed area. Based on the specified intent expressed in the Cooperative Endeavor Agreement between the Corporation and DOTD, any residual assets funded by DOTD are classified as "Permanently Restricted Net Assets".

Contributions of property for the golf course are classified as "Permanently Restricted Net Assets". The property would revert to the donee if the property ceases to be used for its stated purpose. Property contributions of 357.89 acres have been donated to the golf course.

See Auditors' Report.

NOTE 7 - MEMBERSHIP IN THE CORPORATION

The corporation is organized on a non-stock basis. Membership in the corporation is represented by membership certificates pursuant to the terms of L.S.A.-R.S. 12:210. The members must be adult persons residing in Richland, Madison, West Carroll, or East Carroll Parishes, Louisiana. At present, the corporation has four members.

NOTE 8 - BOARD OF DIRECTORS' COMPENSATION

As per the Articles of Incorporation dated March 25, 2002, Article XI "The Board of Directors shall receive no compensation". In 2009, the members of the Board of Directors did not receive any compensation.

NOTE 9 - COMPENSATED ABSENCES

The Corporation has not accrued compensated absences. Management believes the amount is immaterial to the financial statements.

NOTE 10 - CONCENTRATIONS

The State of Louisiana Department of Transportation and Development provides support through appropriated capital outlay funds. The availability of these funds is subject to approval by acts of state legislation.

Financial instruments that potentially subject the corporation to concentrations of credit risk consist principally of cash investments in banks at times in excess of the FDIC insured \$250,000 limit (See Note 2).

Management believes that the Corporation is not exposed to any significant credit risk related to cash or to accounts receivable under the State Capital Outlay appropriation.

NOTE 11 - FEDERAL GRANTS

In 2009, a federal grant of \$32,000 was received from the Delta Regional Authority. The funds were received and expended for cost associated with the stay and play facility (See Note 1).

See Auditors' Report.

NOTE 12 - COOPERATIVE ENDEAVOR AGREEMENT

On May 16, 2007, the State of Louisiana Department of Culture, Recreation, and Tourism and the Department of Transportation and Development together with the Louisiana Division of Administration entered into a Cooperative Endeavor Agreement with Poverty Point Reservoir District (PPRD) and Poverty Point Regional Economic Development Corporation (PPREDC) to transfer upon completion the Black Bear Golf Course including all real property and improvements owned by PPREDC, and some additional real estate owned by PPRD.

The corporation will continue to be responsible for the construction of all improvements until the architect on each project certifies substantial completion. The parties to the agreement have agreed to transfer the improvements, furnishings, fixtures, equipment and all movables as completed by the corporation to the Department of Culture, Recreation and Tourism (CRT). Effective July 1, 2007, CRT assumed the management and operations of the Black Bear Golf Club and assumed responsibility for the expenses and receipt of all revenues from the management and operations of the facility. At the report date, the parties are negotiating final details for transfer of the golf course and clubhouse property, the number of acres to retain for the stay-and-play and future development, and covenants associated with certain parcels of land.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Because of the short maturity of cash and cash equivalents, their carrying amount approximates fair value.

NOTE 14 - CONTRACTS

On May 18, 2009, the Company entered into a standard architectural agreement with Golson Architecture, APC for the Black Bear Stay and Play. The work will be performed under the Capital Improvement Projects Procedural Manual. The architect by contract will certify the work performed as to completion and satisfactory performance. Fees under the contract are \$118,425, and are based on formulas from Article 5 of the Capital Improvement Projects Procedural Manual.

On November 24, 2009, the Company entered into a standard architectural agreement with Dave Jackson Builder, L.L.C. for the construction of the Black Bear Stay and Play, to include the hotel, parking, pool, and tennis courts, for a total of \$1,436,074, subject to additions and deductions as provided in the contract.

NOTE 15 - SUBSEQUENT EVENTS

In March 2010, construction on the Black Bear Stay and Play began. The estimated completion date is December 2010.

See Auditors' Report.

# Cochran, Clark & Robinson

A Corporation of Certified Public Accountants

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Poverty Point Regional Economic Development Corporation  
Rayville, LA 71269

We have audited the financial statements of Poverty Point Regional Economic Development Corporation (a non-profit corporation) as of and for the year ending December 31, 2009, and have issued our report thereon dated June 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Poverty Point Regional Economic Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Poverty Point Regional Economic Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Poverty Point Regional Economic Development Corporation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Poverty Point Regional Economic Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Board of Directors of Poverty Point Regional Economic Development Corporation, others within the entity, and the State of Louisiana Department of Transportation and Development and Department of Culture, Recreation and Tourism and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

*Cochran Clark; Robinson*

Rayville, LA  
June 28, 2010

## POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION

Schedule of Grant Funds  
For the Year Ending December 31, 2009

<u>Grantor</u>	<u>Federal CFDA Number</u>	<u>Received</u>	<u>Expenditures</u>
La Dept. of Transportation Capital Outlay	N/A	110,108	110,108
Delta Regional Authority	90-200	32,000	32,000

See Auditors' Report. The accompanying notes are an integral part of these statements.



POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION  
RAYVILLE, LOUISIANA

Schedule of Findings and Questioned Costs  
For the Year Ending December 31, 2009

**A. SUMMARY OF AUDIT RESULTS**

1. The Auditors' report expresses an unqualified opinion on the financial statements of the Poverty Point Regional Economic Development Corporation.
2. No instances of noncompliance material to the financial statements of the Poverty Point Regional Economic Development Corporation were disclosed during the audit.
3. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

See Auditors' Report. The accompanying notes are an integral part of these statements.